



Date: June 20, 2001
To: IRP Legislative Committee Members
From: Staff
RE: Funding for Opportunity Zone Implementation

Background

At the January 31 meeting, members directed staff to explore an earmarking of funds to underwrite the implementation of Opportunity Zones.

The attached “fact sheet” is intended to be a one page summary of why the earmark is needed, and how it could be applied. The fact sheet will be distributed to legislators, staff at key agencies, and the media to succinctly explain the request for funding.

Requested Action

1. Approve the fact sheet for use in pursuing an IRP earmark.
2. Recommend to the IRP that an earmark be sought.

INCENTIVE FUNDING for AB 2864 PILOT PROGRAM OPPORTUNITY ZONES

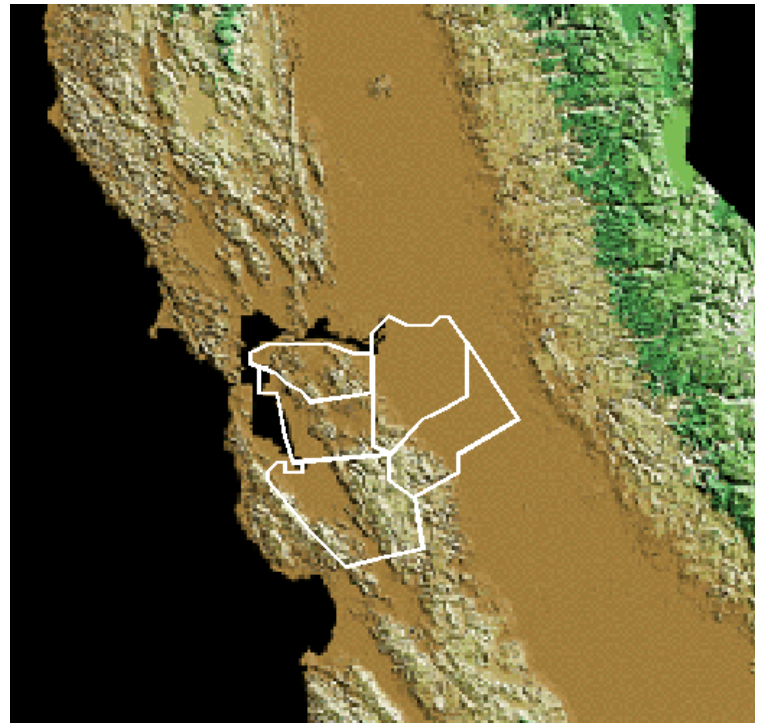
INTER-REGIONAL
PARTNERSHIP
Alameda County
Contra Costa County
San Joaquin County
Santa Clara County
Stanislaus County



As part of the Inter-Regional Partnership (IRP) Pilot Program created by AB 2864, the IRP is developing an incentives program for the 5 to 10 jobs/housing “opportunity zones” that will be located throughout the five county IRP region. The incentives are meant to entice developers to build housing and/or commercial development within the selected zones. Economic incentives can act as attractors to business owners making a location, expansion, or relocation decision; while housing incentives can be targeted to potential homeowners and developers.

The IRP intends to pursue fiscal and non-fiscal incentives to attract prospective developers. The incentives under consideration include:

- **Reducing the Cost of Off-Site Improvements:** The competitive position of the region in the marketplace could be improved by reducing the cost of off-site improvements. A state and/or federal funding source could be sought for the sole purpose of making commercial and industrial sites in a jobs/housing opportunity zone “market ready.”
- **Providing Density Bonuses for Developers Building Housing Closer to Jobs:** Encouraging developers to seek rezoning of their land from commercial or industrial to residential can be accomplished by allowing local jurisdictions to award density bonuses to developers who build houses near job sites or transit.
- **Permit Fee Reductions and Waivers:** Reducing or waiving permit fees in housing opportunity zones, which can exceed \$40,000 per unit in some IRP jurisdictions, would encourage the construction of affordable housing. A funding source would be needed to reimburse participating jurisdictions for lost fee revenues, thus providing an incentive for them to participate.
- **Blanket Incentives Package:** A comprehensive portfolio of incentives could be developed that jurisdictions could draw from to meet the immediate interests and concerns of a prospective developer. Incentives could include those currently available in existing enterprise zones, redevelopment zones, local agency military base recovery areas, manufacturing enhancement areas, and targeted tax areas.



IRP members have reached a consensus that implementing the incentives would take on the order of \$5.0 million per county, or \$25 million for the five county IRP region.

The funding would be used in two ways:

- To reimburse the IRP jurisdictions for their work in establishing incentives, for example, in streamlining their permitting processes, or constructing off-site improvements that make the zones “market ready.”
- To reimburse the State or local programs utilized by jurisdictions to attract prospective zone developers.

By December 31, 2001 the IRP will need to make preliminary recommendations to the State Department of Housing and Community Development (HCD), as to where the opportunity zones should be located. Therefore, funding to implement the zone incentives will be needed by that date, or at the latest, by the end of FY 01\02.

Funding Request : The IRP is seeking an earmark of **\$25 million** to fund zone incentives. This earmark would be split evenly among the five counties, providing each with **\$5.0 million**.